

Service Date: February 2, 2007

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Filing)	UTILITY DIVISION
of Mountain Water Company in Response)	
to Order No. 6644c, ¶ 44, Order ¶ 6,)	DOCKET NO. D2005.4.49
and Order No. 6644d, Docket No. D2005.4.49)	

NOTICE OF FILING BY THE MOUNTAIN
WATER COMPANY OF A COST OF SERVICE
ALLOCATION STUDY; NOTICE OF A PROPOSED
CHANGE IN ALLOCATION OF PUBLIC FIRE
PROTECTION COSTS; NOTICE OF A RATE CHANGE;
NOTICE OF INTERVENTION DEADLINE

Please take notice that the Mountain Water Company (Mountain) has filed with the Public Service Commission (PSC) a new cost of service allocation (COSA) method. Mountain proposes that this new COSA method replace its current method and be used to establish rates in future rate cases. Along with the new COSA method, Mountain proposes rate changes to reflect a shift in cost allocation that was directed by the PSC in the last Mountain general rate case, Order Nos. 6644c and 6644d, Docket No. D2005.4.49. In those Orders the PSC directed that the costs of public fire protection, previously borne by the City of Missoula, should be shifted to the general body of Mountain ratepayers.

Mountain explains that the new COSA indicates that unmetered customer rates should be increased to recover approximately \$466,000 in additional revenue, while metered customer rates should be reduced to recover approximately \$40,000 less revenue. To limit the impact on unmetered customers Mountain proposes to leave metered rates unchanged, and to increase unmetered rates to recover approximately \$426,000. This will recover the public fire protection costs previously paid by the City of Missoula. To offset the increase to unmetered rates Mountain proposes to increase its low-income discount by \$.50 per month. Most customers who qualify for the low-income discount have unmetered service.

The following are Mountain's unmetered proposed rates, with current rates in

parentheses. Note that the new COSA indicates a significant increase in the unmetered irrigation rate.

FLAT RATE WATER (Monthly Rate (Unless indicated otherwise) applicable to: domestic, commercial, industrial, governmental, Municipal, and sprinkling customers.)

Single Family dwellings and individual apartments, duplexes, triplexes, fourplexes or other multi-family residential units.

4 rooms or less with one toilet and bath or shower--- \$41.87 (40.21)

Each additional room, bath, shower or toilet --- \$4.98 (4.78)

Non-family type efficiency apartments, and other small usage establishments.

1 Room with one toilet and bath, shower, or toilet--- \$21.95 (21.08)

Commercial establishments, churches, and public authorities offices and buildings ---- \$44.88 (43.10)

Rooming house with common bathroom --- \$12.48 per sleeping room (11.98)

Tourist Camp with common bathroom --- \$19.94 per cabin or trailer (19.15)

Swimming pools --- \$75.17 per season (72.19)

Temporary construction --- \$42.38 (40.70)

Sewer flush tanks --- \$44.38 each (42.62)

Sewer flushing by municipality --- \$5,886.26 per season (5,652.80)

Street cleaning by municipality --- \$602.37 per season (578.48)

FIRE PROTECTION SERVICES

A. Hydrants:

6" --- Eliminated (30.77) -- 8" --- Eliminated (50.57)

B. Fire Lines:

1" ----- \$ 4.54 (4.49) 1-1/2" ----- \$ 6.26 (6.19) 4" ----- \$ 21.41 (21.17)

1-1/4" ----- \$ 5.50 (5.44) 2" ----- \$ 9.87 (9.76) 6" ----- \$ 38.82 (38.39)

3" ----- \$ 15.64 (15.47) 8" ----- \$ 60.76 (60.09)

FLAT RATE SPRINKLING WATER RATE - PER SEASON

All square feet, per 100 sq. ft. --- \$3.9499 (2.9888)

Minimum bill ---\$43.44 per season (32.87)

If billed separately, additional --- \$318.86 per season (241.28)

DISCOUNT

Eligible Mountain Water customers will receive a \$5.80 (\$5.30) reduction in the applicable flat rate, or demand charge if metered.

The application, prefiled testimony, exhibits and proposed tariffs are available for public inspection at the Public Service Commission, 1701 Prospect Avenue, Helena, Montana 59620, telephone, 406-444-6199. The Mountain cover letter, proposed tariffs and prefiled testimony are available on-line at www.psc.mt.gov/eDocs/CurrentInterest. The public may also inspect the filing at Mountain Water's office at 1345 W. Broadway, Missoula, Montana 59806. Questions and concerns may be directed to Arvid Hiller, Mountain Water's General Manager, at 406-721-5570.

The Montana Consumer Counsel and the City of Missoula are parties to this docket. Other persons interested in and directly affected by this docket, and desiring to participate, should file a Petition to Intervene with the Commission no later than February 16, 2007. An original and 10 copies of the petition to intervene must be filed with the Commission. Interested persons wishing to remain informed but not intervening may also file a request to be placed on the service list to receive notices and orders. The Montana Consumer Counsel, 616 Helena Avenue, Room 300, Helena, Montana 59620-1703, telephone 406-444-2771, is available and may be contacted to represent consumers' interests in this docket.

Any interested person who does not want to formally participate in this docket as an intervenor may submit written public comments to the Commission at the above address. Public comments may also be submitted to the Commission through the Commission's web-based comment form at <http://psc.mt.gov/Consumers/comments>.

BY THE MONTANA PUBLIC SERVICE COMMISSION

GREG JERGESON, Chairman
DOUG MOOD, Vice-Chairman
BRAD MOLNAR, Commissioner
ROBERT H. RANEY, Commissioner
KEN TOOLE, Commissioner